

**Paw Paw Lake Regional
Joint Sewage Disposal Board**

80-7-510

Financial Statements

March 31, 2004

RENDEL ELIE
———&———
ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Paw Paw Lake Regional Joint Sewage Disposal	County Berrien
Audit Date 3/31/04	Opinion Date 9/14/04	Date Accountant Report Submitted to State: 9/27/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rendel Elie & Associates PLC, CPA's			
Street Address 1010 Main Street	City St. Joseph	State MI	ZIP 49085
Accountant Signature <i>Rendel Elie, CPA</i>		Date 9/27/04	

Paw Paw Lake Regional Joint Sewage Disposal Board

Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheet	2
Statement of Revenues, Expenses and Changes in Retained Earnings	3
Statement of Cash Flows	4
Notes to Financial Statements	5-11

RENDEL ELIE
— & —
ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Paw Paw Lake Regional
Joint Sewage Disposal Board
Coloma, Michigan

We have audited the accompanying balance sheet of the Paw Paw Lake Regional Joint Sewage Disposal Board as of March 31, 2004 and 2003, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Paw Paw Lake Regional Joint Sewage Disposal Board as of March 31, 2004 and 2003 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Rendel Elie & Associates
RENDEL ELIE & ASSOCIATES, PLC
CERTIFIED PUBLIC ACCOUNTANTS

September 14, 2004

1010 Main Street
St. Joseph, MI 49085
(269) 983-1069
(269) 983-3606 fax

Paw Paw Lake Regional Joint Sewage Disposal Board
Balance Sheet
March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,935	\$ 46,052
Short-term investments, net	476,410	402,971
Accounts receivable	79,476	61,470
Interest receivable	1,930	2,285
Prepaid expenses	6,354	5,420
Total current assets	<u>570,105</u>	<u>518,198</u>
Property and equipment, net	66,091	79,293
Long-term investments, net	<u>429,370</u>	<u>485,213</u>
Total assets	<u><u>\$ 1,065,566</u></u>	<u><u>\$ 1,082,704</u></u>
Liabilities and Retained Earnings		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,443	\$ 19,824
Retirement fund contribution payable	12,540	12,624
Accrued wages and payroll taxes	<u>75,536</u>	<u>75,009</u>
Total current liabilities	103,519	107,457
Retained earnings, unreserved and undesignated	<u>962,047</u>	<u>975,247</u>
Total liabilities and retained earnings	<u><u>\$ 1,065,566</u></u>	<u><u>\$ 1,082,704</u></u>

Paw Paw Lake Regional Joint Sewage Disposal Board
Statement of Revenues, Expenses and Changes in Retained Earnings
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Municipal fees and other service fees:		
City of Coloma	\$ 68,679	\$ 72,942
Township of Coloma	105,405	93,428
City of Watervliet	125,267	101,658
Township of Watervliet	152,622	127,188
Other	15,465	16,926
Total operating revenues	<u>467,438</u>	<u>412,142</u>
Operating expenses:		
Salaries and wages	195,379	193,813
Payroll taxes, retirement plan, and benefits	21,400	28,166
Group insurance - health & life	62,677	53,443
Operating supplies and services	74,799	80,485
Utilities	58,260	52,708
Depreciation	15,240	13,864
Insurance - liability & workers' compensation	44,450	39,439
Repairs and maintenance	16,384	14,078
Board meeting fees	8,550	8,350
Legal and accounting services	4,721	4,253
Other operating expenses	5,648	5,601
Total operating expenses	<u>507,508</u>	<u>494,200</u>
Operating income (loss)	<u>(40,070)</u>	<u>(82,058)</u>
Other income and expenses:		
Investment income	26,870	65,378
Gain on sale of equipment	-	4,000
Excess of revenues over expenses	<u>(13,200)</u>	<u>(12,680)</u>
Retained earnings, beginning of year	<u>975,247</u>	<u>987,927</u>
Retained earnings, end of year	<u><u>\$ 962,047</u></u>	<u><u>\$ 975,247</u></u>

See auditors' report and notes to financial statements.

Paw Paw Lake Regional Joint Sewage Disposal Board
Statement of Cash Flows
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Operating income (loss)	\$ (40,070)	\$ (82,058)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,240	13,864
(Increase) decrease in accounts receivable	(18,006)	13,962
(Increase) decrease in prepaid expenses	(934)	(691)
(Increase) decrease in interest receivable	356	289
Increase (decrease) in accounts payable	(4,381)	(2,219)
Increase (decrease) in accrued liabilities	443	19,047
Total adjustments	(7,282)	44,252
Net cash provided (used) by operating activities	(47,352)	(37,806)
Cash flow from investing activities:		
Investment income	21,933	42,100
Realized gain on investment	-	13,319
Purchase of investments	(70,923)	(187,088)
Proceeds from investments	58,264	148,711
Net cash provided by investing activities	9,274	17,042
Cash flow (used in) capital activities:		
Cash payments for the purchase of equipment	(2,039)	(1,187)
Gain on the sale of equipment	-	4,000
Net cash used in capital activities	(2,039)	2,813
Net (decrease) in cash and equivalents	(40,117)	(17,951)
Cash and equivalents, beginning of year	46,052	64,003
Cash and equivalents, end of year	<u>\$ 5,935</u>	<u>\$ 46,052</u>

See auditors' report and notes to financial statements.

Paw Paw Lake Regional Joint Sewage Disposal Board
Notes to Financial Statements
March 31, 2004 and 2003

Nature of Activities and Accounting Policies

Nature of Activities – The Paw Paw Lake Regional Joint Sewage Board was established in January 1971 as a not-for-profit, tax-exempt organization when the cities and townships of Coloma and Watervliet agreed to jointly acquire, own and operate a sewage treatment and disposal facility. As part of the agreement, the Board was established to control, manage and operate the joint sewage facility. The Board consists of two appointed representatives from each of the four municipalities. Ownership of the infrastructure passed to the municipalities in May of 1993 when the related construction debt was retired.

Accrual Basis of Accounting – The organization recognizes revenues when earned. Expenses are recorded when incurred.

Properties and Equipment – Properties and equipment are stated at cost. Depreciation is recorded on the straight-line method over the estimated service lives of the assets. Expenditures for repairs and maintenance are charged to operations as incurred and major renewals and betterments are capitalized.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Board considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments are presented in the financial statements at fair market value. All investments are considered temporary. Premiums and discounts are not amortized. Interest is accrued on investments.

For the year ended March 31, 2004 and 2003, investment income and losses consisted of interest income of \$21,933 and \$42,100, and unrealized gains of \$4,937 and \$9,959 respectively.

Paw Paw Lake Regional Joint Sewage Disposal Board
Notes to Financial Statements
March 31, 2004 and 2003

Investments (continued)

The Board held the following investments as of March 31, 2004:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificates of deposit	\$ 406,950	\$ 415,516	\$ 8,566
Cash with broker	<u>60,894</u>	<u>60,894</u>	<u>-</u>
Total short-term investments	<u>467,844</u>	<u>476,410</u>	<u>8,566</u>
Certificates of deposit	183,000	184,551	\$ 1,551
U.S. Government obligations	150,300	163,948	13,648
Government backed securities	<u>100,013</u>	<u>80,871</u>	<u>19,142</u>
Total long-term investments	<u>433,313</u>	<u>429,370</u>	<u>(3,943)</u>
Total investments	<u>\$ 901,157</u>	<u>\$ 905,780</u>	<u>\$ 4,623</u>

The Board held the following investments as of March 31, 2003:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificates of deposit	\$ 400,000	\$ 400,000	\$ -
Cash with broker	<u>2,971</u>	<u>2,971</u>	<u>-</u>
Total short-term investments	<u>402,971</u>	<u>402,971</u>	<u>-</u>
Certificates of deposit	189,950	197,892	\$ 7,942
U.S. Government obligations	147,300	156,720	9,420
Government backed securities	<u>148,277</u>	<u>130,601</u>	<u>(17,676)</u>
Total long-term investments	<u>485,527</u>	<u>485,213</u>	<u>(314)</u>
Total investments	<u>\$ 888,498</u>	<u>\$ 888,184</u>	<u>\$ (314)</u>

Financial instruments which potentially subject the Board to concentrations of credit risk, as defined by FASB Statement of Financial Accounting Standards No. 105, consist principally of cash. The Board maintains its cash in various bank deposit and brokerage accounts which, at times, exceeded federally insured limits. The Board has not experienced any losses in such accounts.

Paw Paw Lake Regional Joint Sewage Disposal Board
Notes to Financial Statements
March 31, 2004 and 2003

Investments (continued)

The Board is authorized by Michigan Public Acts 217 and 367 of 1982 to invest surplus funds (exclusive of pension funds) in U.S. Government bonds and notes, certain commercial paper, U.S. Government or agency repurchase agreements, banker's acceptances of U.S. banks and mutual funds.

The Board's investments are categorized below to give an indication of the level of risk assumed by the Board at fiscal year end. The categories are described as follows:

Category 1 – Insured or registered, or securities held by the Board or its agent in the Board's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Board's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the Board's name.

<u>March 31, 2004</u>	<u>Risk Category</u>			<u>Cost</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of deposit	\$ 434,115	\$ 155,835	\$ -	\$ 589,950	\$ 600,067
U.S. Government obligations	150,300	-	-	150,300	163,948
Government securities	100,013	-	-	100,013	80,871
Temporary investments	<u>60,894</u>	<u>-</u>	<u>-</u>	<u>60,894</u>	<u>60,894</u>
Total investments	<u>\$ 745,322</u>	<u>\$ 155,835</u>	<u>\$ -</u>	<u>\$ 901,157</u>	<u>\$ 905,780</u>

<u>March 31, 2003</u>	<u>Risk Category</u>			<u>Cost</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of deposit	\$ 494,501	\$ 95,449	\$ -	\$ 589,950	\$ 597,892
U.S. Government obligations	147,300	-	-	147,300	156,720
Government securities	148,277	-	-	148,277	130,601
Temporary investments	<u>2,971</u>	<u>-</u>	<u>-</u>	<u>2,971</u>	<u>2,971</u>
Total investments	<u>\$ 793,049</u>	<u>\$ 95,449</u>	<u>\$ -</u>	<u>\$ 888,498</u>	<u>\$ 888,184</u>

Paw Paw Lake Regional Joint Sewage Disposal Board
Notes to Financial Statements
March 31, 2004 and 2003

Property and Equipment

Property and equipment are summarized by major classification as follows:

	<u>2004</u>	<u>2003</u>	<u>Depreciable Life – Years</u>
Land	\$ 23,408	\$ 23,408	-
Buildings	103,235	103,235	20
Machinery and equipment	549,625	549,181	5-10
Vehicles	37,064	40,720	5
Office equipment	<u>31,589</u>	<u>29,994</u>	5
	744,921	746,538	
Less: accumulated depreciation	<u>(678,830)</u>	<u>(667,245)</u>	
Net book value	<u>\$ 66,091</u>	<u>\$ 79,293</u>	

Depreciation expense for the year ended March 31, 2004 and 2003 was \$15,240 and \$13,864, respectively.

Accrued Wages

Accrued wages consists of:

	<u>2004</u>	<u>2003</u>
Accrued wages & payroll taxes	\$ 6,773	\$ 9,383
Vacation pay vested	8,311	8,840
Sick leave accumulated	<u>60,452</u>	<u>56,786</u>
Total	<u>\$ 75,536</u>	<u>\$ 75,009</u>

Vacation pay is earned depending upon years of service and is payable upon termination. Sick leave benefits represent only that amount that would be payable should the employees use the benefit. Unused sick pay will not be reimbursed upon termination.

Revenue Recognition and Due from/Refunds Due to Municipalities

In general, the municipalities are charged a per gallon rate that is based upon the Board's operating expenditures, less depreciation, plus capital expenditures for the fiscal year. As a result of this formula, the excess of revenues over expenditures equals capital expenditures less depreciation.

Paw Paw Lake Regional Joint Sewage Disposal Board
Notes to Financial Statements
March 31, 2004 and 2003

Revenue Recognition and Due from/Refunds Due to Municipalities (continued)

Throughout each year, revenue is recognized at estimated rates. At year-end, the estimated revenues are adjusted to actual.

Estimated billings to the municipalities during the year ended March 31, 2004 exceeded revenues based on actual services provided. As a result, the Board credited the municipalities \$18,224 for the over billings.

Estimated billings to the municipalities during the year ended March 31, 2003 did not cover revenues based on actual services provided. As a result, the Board debited the municipalities \$8,392 for the under billings.

Retirement Fund Contribution

Plan description - Substantially all employees of the Board are covered under the contributory defined benefit Municipal Employees' Retirement System ("MERS"), a cost sharing, multiple employer public employee retirement system. MERS provides retirement, survivor and disability benefits to municipal employees under the provisions of the Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220, as embodied in the MERS Plan Document (as revised). MERS issues annually a publicly available actuarial valuation. The report includes the determination of liabilities and contribution rates resulting from the participation of the Board in MERS. The report may be obtained by writing to MERS, 447 N. Canal Rd., Lansing, Michigan 48917, or by calling (517) 622-4401.

All Board employees are eligible to participate in MERS. Participants who retire at or after age 60 with 10 years of credited service, age 55 with 15 years of credited service, or age 50 with 25 years of credited service are entitled to a retirement benefit equal to the participant's final average compensation, as defined, multiplied by 2.5% for each year of credited service.

Funding policy - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The Board has authorized any required employer contributions.

Annual pension costs - For the year ended March 31, 2004 and 2003, the annual required contributions were \$12,540 and \$12,624, respectively. Under the program, participants contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

Paw Paw Lake Regional Joint Sewage Disposal Board
Notes to Financial Statements
March 31, 2004 and 2003

Retirement Fund Contribution (Continued)

The total actuarial accrued liability at December 31, 2004 and 2003 for the Board's share of MERS, determined through an actuarial valuation performed was \$731,330 and \$694,727, respectively. The net assets available for benefits were \$718,442 and \$675,816, resulting in an unfunded positions of \$12,888 and \$18,911, respectively.

Significant actuarial assumptions – To calculate the contribution requirements, assumptions are made about future events that could affect the amount and timing of benefits to be paid and the assets to be accumulated. Significant actuarial assumptions used include: an 8% net long-term investment yield, projected salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

Amortization of unfunded actuarial accrued liability – Unfunded actuarial accrued liability is amortized by level percent of payroll contributions over a period of years. Active member payroll is assumed to increase 4.5% a year for the purpose of determining the level percent contributions. The standard amortization period to fund the unfunded liability is 30 years for positive unfunded liabilities, and 10 years for negative unfunded liabilities, with these time periods reestablished with each annual actuarial valuation. The amortization factor used for underfunded liabilities (30 years) is .053632.

Risk Management

Insurance - The Board is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The Board has purchased commercial insurance for employee health, property, liability and workers' compensation.

Industrial Waste Pretreatment Program Regulations - The Board's sewage treatment and disposal operations are subject to regulations and governmental authorities. The complexity of these regulations results in many areas of uncertainty and requires interpretation. The regulatory agencies may question Board interpretations. If the Board's interpretations do not prevail, remedial actions and/or civil penalties could be assessed that could have an adverse effect on the Board's operations.

Paw Paw Lake Regional Joint Sewage Disposal Board
Notes to Financial Statements
March 31, 2004 and 2003

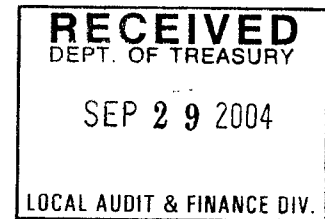
Availability on Line of Credit

The Board has a line of credit available from its investment broker at a variable interest rate, secured by the amount in its investment account. During the year the Board took no advances on its line of credit. The balance at March 31, 2004 and 2003 on the line of credit was zero.

Future changes to Financial Reporting Requirement - GASB 34

New accounting standards apply to the Board effective for the year beginning April 1, 2004. This will dramatically revise the information being reported in these financial statements. Information is not available to present the pro-forma effect of this change.

RENDEL ELIE
— & —
ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS



September 14, 2004

Paw Paw Lake Regional
Joint Sewage Disposal Board
Coloma, Michigan

Report of Comments and Recommendations

In planning and performing our audit of the financial statements of the Paw Paw Lake Regional Sewage Disposal Board, for the year ended March 31, 2004, we considered its internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Paw Paw Lake Regional Sewage Disposal Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of the internal control structure was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in any control structure, errors or irregularities may occur and not be detected by such control structure.

This report contains items considered to be reportable conditions, as defined above, as well as other items.

Continuing Recommendations:

Financial Reports: According to the Michigan Department of Treasury Uniform Accounting Procedures, the board "must be provided periodic financial reports". The reports will assist the board in determining whether the financial activity of the various funds is within the adopted budgets, the sufficiency of the cash balances to meet the needs of the current period, and whether there is sufficient cash available to cover unforeseen expenditures, etc.

Financial reports assist management in reviewing internal controls. Management is responsible for establishing and maintaining a system of internal controls over the accounting procedures as well as over all assets belonging to the governmental unit. Internal controls are policies and procedures designed to provide reasonable assurance that assets are safeguarded against unauthorized use and disposition.

Management may be the administrative officials. “However, the governing body (board) is still responsible to assure that adequate internal controls are in place and should be receiving reports from management that will assist in that determination.” (Michigan Uniform Accounting Procedures Manual). The board should document its acceptance of financial reports in the minutes, along with financial decisions made by the board.

<u>These reports include:</u>	<u>Suggested frequency</u>
Summary report of cash activity	Monthly
Summary report of cash activity by bank account and investment account	Monthly & Annual
Balance sheet	Monthly
Detail revenue - budget to actual	Monthly
Detail expenditures - budget to actual	Monthly
List of bills to be approved for payment	Each meeting
Separate list of bills paid prior to approval, Pursuant to a board approved policy	Each meeting

Tax reporting – The Board should issue 1099 Forms to individuals who serve as independent contractors to provide services of more than \$600 in a calendar year. Governmental agencies are not exempt from this reporting requirement.

Additional Comments:

Revenue and Municipal Support – The board reports in its financial statements the calculation for municipal support and a year-end adjustment. It does not appear that the year-end adjustment billing is being prepared if the municipalities owe the organization.

Investment transactions – The responsibility to manage the investments were delegated to the treasurer in the investment policy, dated June 11, 1999. The investment policy states that no person may engage in investment transactions except as provided under the terms of this policy and the procedures established by the investment officer. The board needs to adhere to the written policy or seek counsel regarding authorizing and delegating investment transactions contrary to its investment policy.

Accrual accounting – The accounts receivable and accounts payable feature of Quickbooks, the organization’s accounting software, are not being utilized. The internal reports generated do not include detail accounts receivable and payable reports, and therefore the reports are on the cash basis of accounting instead of the accrual basis. We would recommend that these features of the organization’s software be utilized to provide these valuable reports.

Updates to contracts, handbook – The board is in the process of reviewing its permanent records, including its by-laws. In addition, the board may want to review other agreements:

Joint Contract – The board may want to review and revise the original agreement, dated 1970. The original agreement was created prior to the infrastructure ownership transfer to the municipalities. There may be parts of the agreement that the board has made motion to amend, however, the amendment has not been added to the original document as an addendum, such as the increase in board member's compensation.

Employee handbook– The personnel rules and regulations handbook was last revised in 1984. You may want to review the handbook to consider updating.

We appreciate the opportunity to present these recommendations for your consideration and we are available to discuss them further with you.

Rendel Elie & Associates

RENDEL ELIE & ASSOCIATES CPA'S, PLC
CERTIFIED PUBLIC ACCOUNTANTS

1010 Main Street
St. Joseph, MI 49085
(269) 983-1069
(269) 983-3606 fax